

OPERATIONS MANUAL BANK POLICIES (BP)

These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

JAPAN FUND FOR POVERTY REDUCTION

A. Introduction

1. The Japan Fund for Poverty Reduction (JFPR),¹ made available by the Government of Japan, is designed to support ADB's poverty reduction strategy by financing, on a grant basis, activities that address poverty, build up human resources, and empower institutions and communities in Asia and the Pacific. To this end, the Government of Japan has appointed the Asian Development Bank (ADB) as administrator of the JFPR.

2. As administrator of the JFPR, ADB will ensure that all applicable ADB policies govern each JFPR-financed activity.

B. The Policy

3. The main objective of the JFPR is to add substantive value and development impact to ADB assistance through grants for poverty reduction and technical assistance (TA) activities, in line with ADB's agenda as articulated in its long-term strategic framework 2008–2020 (Strategy 2020)². Accordingly, the proceeds of JFPR project grants (projects) and TA grants are to be utilized for the following purposes:

Project Grants

- (i) support well-targeted poverty reduction and social development activities that have a direct impact on the poor and on socially or economically excluded or vulnerable groups;
- (ii) stimulate the self-help capacities of the poor;
- (iii) stimulate widespread stakeholder participation at the community level; and
- (iv) provide a systematic impact on operations and approaches of developing member countries (DMCs) toward sustainable poverty reduction.

TA Grants

- (i) enhance the capacity of executing agencies and other development partners, including implementing and operating projects;
- (ii) formulate and coordinate development strategies, plans, and programs,

¹ ADB. 2009. *Revised Operating Framework for the Japan Fund for Poverty Reduction*. Manila.

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. Manila.

and undertake studies related to sectors, policies, and issues;

- (iii) improve knowledge about development issues in Asia and the Pacific and foster inclusive growth, environmentally sustainable growth, and regional cooperation and integration among DMCs; and
- (iv) identify, formulate, and prepare development projects.

C. Eligible Countries

- 4. All ADB DMCs will be eligible for funding from the JFPR.

D. Eligible Activities and Sectors

1. Projects

5. Under the JFPR, grants will finance projects that are aimed directly at poverty reduction, and provide innovative and demonstrable impacts on poverty reduction. JFPR-financed activities should have strong relation to and enhance the effectiveness of ADB operations. Typical types of activities to be covered are (i) the provision of basic economic and social services, (ii) support for social development funds, (iii) support for development of nongovernment organization (NGO) activities for poverty reduction and social development, (iv) project support activities, and (v) social protection.

2. Technical Assistance

6. JFPR grants will be used to finance or cofinance capacity development TA, policy and advisory TA, research and development TA, and project preparatory TA; as well as to finance or cofinance, in special cases on a grant basis, TA components of development projects or programs financed under loans from ADB. TA may be provided to one DMC or to more than one DMC (regional TA).

E. Size and Cost Sharing

1. Project

7. Given the extensive demand for activities and investments in support of poverty reduction, JFPR projects are likely to be spread throughout Asia and the Pacific. As projects to be financed by the JFPR will be innovative and pilot projects to enhance ADB-financed projects, JFPR-financed projects are likely to be smaller than ADB-financed projects.

8. As the scheme specifically targets the poor, any beneficiary cost sharing is expected to be limited, and would in most cases be in the form of in-kind contributions such as locally available materials and labor. In addition, as one of the salient features of the grant scheme is its intended financing of innovative and pilot projects, it would be quite difficult to identify an appropriate cost sharing level prior to implementation of the JFPR. Therefore, the cost-sharing level of individual activities will be determined on a case-by-case basis.

2. Technical Assistance

9. TA financed from the JFPR will follow ADB's cost-sharing arrangements for TA projects.

Basis: This OM section is based on:

ADB. 2009. Doc. R165-09, *Revised Operating Framework for the Japan Fund for Poverty Reduction*, 16 September. Manila.

ADB. 2009. Arrangement Letter, *Revised Operating Framework for the Japan Fund for Poverty Reduction* between the Government of Japan and ADB, 7 October. Manila.

This OM section is to be read with OM Section E2/OP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Head, Office of Cofinancing Operations.

1 March 2011
This is an updated version of OM section
E2/BP issued on 26 November 2008.

Prepared by the Office of Cofinancing
Operations and issued by the Strategy
and Policy Department with the
approval of the President.

OPERATIONS MANUAL OPERATIONAL PROCEDURES (OP)

These procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

JAPAN FUND FOR POVERTY REDUCTION

A. Introduction

1. The Operating Framework for the Japan Fund for Poverty Reduction (JFPR) covers project grants and technical assistance grants.
2. JFPR proposals are required to be developed and agreed upon with the recipients in the developing member country (DMC) and other stakeholders, including national and local governments, public institutions, community groups, nongovernment organizations (NGOs), and other civil society organizations, through a participatory approach.

B. Application of the Policy

1. Executing Agency

a. Projects

3. JFPR projects will, in principle, be executed by DMC central or local governments, public institutions, international or local NGOs, or local community groups.¹ If central and local governments and public institutions are expected to be the executing agencies, projects to be financed by the JFPR will still probably be managed and maintained by communities. Efforts will be made to ensure that communities are involved in determining the desired outputs and activities, and in setting targets and indicators. Likewise, input from civil society will be essential for the effective implementation of the JFPR. The active participation of communities and civil society in activity design, implementation, monitoring, and evaluation is essential to the success of JFPR projects.

b. Technical Assistance

4. JFPR TA will, in principle, be executed by ADB and governed by ADB's applicable policies.

¹ This does not preclude the possibility that ADB may recruit consultants or procure works, equipment, or goods with the Government of Japan's concurrence on a case-by-case basis.

2. Processing Procedures

5. Projects and TA will be prepared and proposed by relevant operations and other departments in cooperation with a DMC's central or local governments, public institutions, beneficiary communities, and NGOs or other organizations as appropriate. Regional departments, including resident missions, will coordinate the no objection procedures and the processing of each proposal with the DMC government concerned. Departments and/or offices concerned will forward proposals to the Office of Cofinancing Operations (OCO) for submission to the Government of Japan for funding approval at such intervals as shall be agreed with the Government of Japan. After government approval, the proposals will then be approved by ADB in accordance with the procedures provided below.

a. Project

6. ADB's Board of Directors will be required to approve projects where JFPR financing exceeds \$1.5 million, while the President will be authorized to approve all projects for which JFPR financing is \$1.5 million or below.² All projects approved by the President will be circulated to the Board for information. Among other considerations, the Board will review the likely impact of JFPR financing on ADB operations. Following approval of a proposed project, ADB, as administrator of the JFPR, will enter into a JFPR assistance letter of agreement with the executing agency to channel such portion of the proceeds of the JFPR as shall be required to carry out the approved project.

b. Technical Assistance

7. ADB's standard operational policies and procedures for TA will be applicable to JFPR-financed TA projects,³ except where agreed otherwise with the Government of Japan.

3. Procurement and Disbursement

8. Recruitment of consultants will be carried out in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). Procurement of goods and services will be carried out in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time).

9. ADB will review and approve all relevant actions undertaken by executing agencies associated with the JFPR (i.e., recruitment of consultants, procurement of goods and services, and disbursement) in accordance with established procedures. In cases where ADB recruits consultants, such as for TA projects, all relevant procedures governing such recruitment will be followed.

10. Expenditures arising from JFPR-funded activities will be paid in accordance with ADB's standard procedures for disbursements, except where agreed otherwise with the Government of Japan.

² This is in line with the President's approval authority for ADB TA projects.

³ See OM Section D12 (Technical Assistance).

4. Monitoring and Evaluation

11. ADB will monitor and evaluate JFPR-financed activities in the same manner as all other ADB-financed projects or TA projects, and in accordance with established ADB procedures. To make JFPR-financed activities more effective, the outcomes of activities will be monitored and the results fed back to DMCs' operations. Methods for monitoring and evaluation of the impacts of each JFPR activity will be well designed.

12. ADB will prepare an annual report evaluating activities financed by the JFPR that will be submitted to the Government of Japan.

5. Coordination and Harmonization with Trust Funds Administered by the World Bank

13. The Government of Japan is providing funds to the World Bank for similar operations in Asia and the Pacific. ADB and the World Bank will coordinate the utilization of such funds to ensure they complement each other within DMCs and to promote sharing of results and lessons learned.

6. Administration Arrangements

a. Contribution and Bank Account

14. The existing funds of the current JFPR, which are composed of contributions from the Government of Japan as well as investment income, comprise the core funds of the JFPR. At its discretion, the government may, after the signing of the Arrangement Revising the Operating Framework for the Japan Fund for Poverty Reduction (the Arrangement), provide additional resources to the JFPR into an account with the Bank of Japan in the name of ADB or any other accounts agreed between ADB and the government. Interest and investment income earned from the contributions will be used for the purpose of the JFPR.

b. Administration Cost

15. ADB may use part of the JFPR (together with any interest earned thereon) to cover the direct and identifiable costs⁴ incurred in JFPR administration, including monitoring and evaluation.

⁴ ADB. 2000. *Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources*. Manila. The service charge structure proposed in this paper does not apply to the JFPR.

c. Records and Accounts

16. ADB will maintain records and accounts in accordance with its normal procedures to show expenditures financed by the JFPR. ADB will arrange to provide the Government of Japan with periodic reports on the utilization of the JFPR and the activities financed by the JFPR. ADB will maintain records and accounts of the JFPR, and such records and accounts will be audited annually by independent auditors.

d. Termination and Residual Funds

17. If and when the purpose of the JFPR is considered to have been fulfilled, and the arrangements of the JFPR terminate, the use of any residual funds (including investment income of such funds) will be determined in consultation between the Government of Japan and ADB.

Basis: This OM section is based on OM Section E2/BP and the documents cited therein.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Head, Office of Cofinancing Operations.

1 March 2011
This is an updated version of OM section
E2/OP issued on 26 November 2008.

Prepared by the Office of Cofinancing
Operations and issued by the Strategy
and Policy Department with the
approval of the President.